

**Introduced by Senator Soto**

May 1, 2006

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Senate Concurrent Resolution No. 117—Relative to PERS and reverse annuity mortgage programs.

LEGISLATIVE COUNSEL'S DIGEST

SCR 117, as introduced, Soto. PERS: reverse annuity mortgages.

This measure would direct the California Public Employees' Retirement System to study and consider development of a reverse annuity mortgage program for retired members and to report to the Legislature on the findings of the study on or before January 15, 2007.

Fiscal committee: yes.

1 WHEREAS, The California Public Employees' Retirement  
2 System has had considerable success with its Home Loan  
3 Assistance Program in assisting members with the purchase of  
4 their homes and also in generating reasonable investment returns  
5 from the program for the Public Employees' Retirement Fund;  
6 and

7 WHEREAS, The California Public Employees' Retirement  
8 System, by entering into the long-term care market, has aided in  
9 setting both reasonable benefit standards and costs for its  
10 members; and

11 WHEREAS, Retirees are finding that their living expenses are  
12 exceeding inflation; and

13 WHEREAS, The costs of health care are double to triple the  
14 rate of inflation year after year; and

15 WHEREAS, Reverse annuity mortgages (RAM) may be a  
16 viable alternative for retired members; and

1 WHEREAS, RAM is an opportunity to convert an individual's  
2 home equity into an additional source of income; and

3 WHEREAS, RAM requires that the borrowers be at least 62  
4 years of age or older and that the property be free and clear of  
5 debt or that the principal be small relative to the market value;  
6 and

7 WHEREAS, The RAM loan is only repaid from the proceeds  
8 of the sale after the borrower moves from the home or is  
9 deceased; and

10 WHEREAS, The protections for homeowners in RAM  
11 programs today are much stronger than they were when these  
12 programs first appeared; and

13 WHEREAS, This approach would greatly assist in keeping  
14 retired members in their homes and also provide them additional  
15 revenue; and

16 WHEREAS, This program, if developed similarly to the  
17 California Public Employees' Retirement System Home Loan  
18 Assistance Program could also add reasonable investment returns  
19 to the Public Employees' Retirement Fund; and

20 WHEREAS, Having the California Public Employees'  
21 Retirement System enter into the RAM program would help to  
22 reduce retired members' concerns with costs, appraised value,  
23 and other consumer issues; now, therefore, be it

24 *Resolved by the Senate of the State of California, the Assembly*  
25 *thereof concurring,* That the California Public Employees'  
26 Retirement System is directed to study and consider development  
27 of a reverse annuity mortgage program for retired members of  
28 the system and to report back to the Legislature on the findings  
29 of its study on or before January 15, 2007.

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